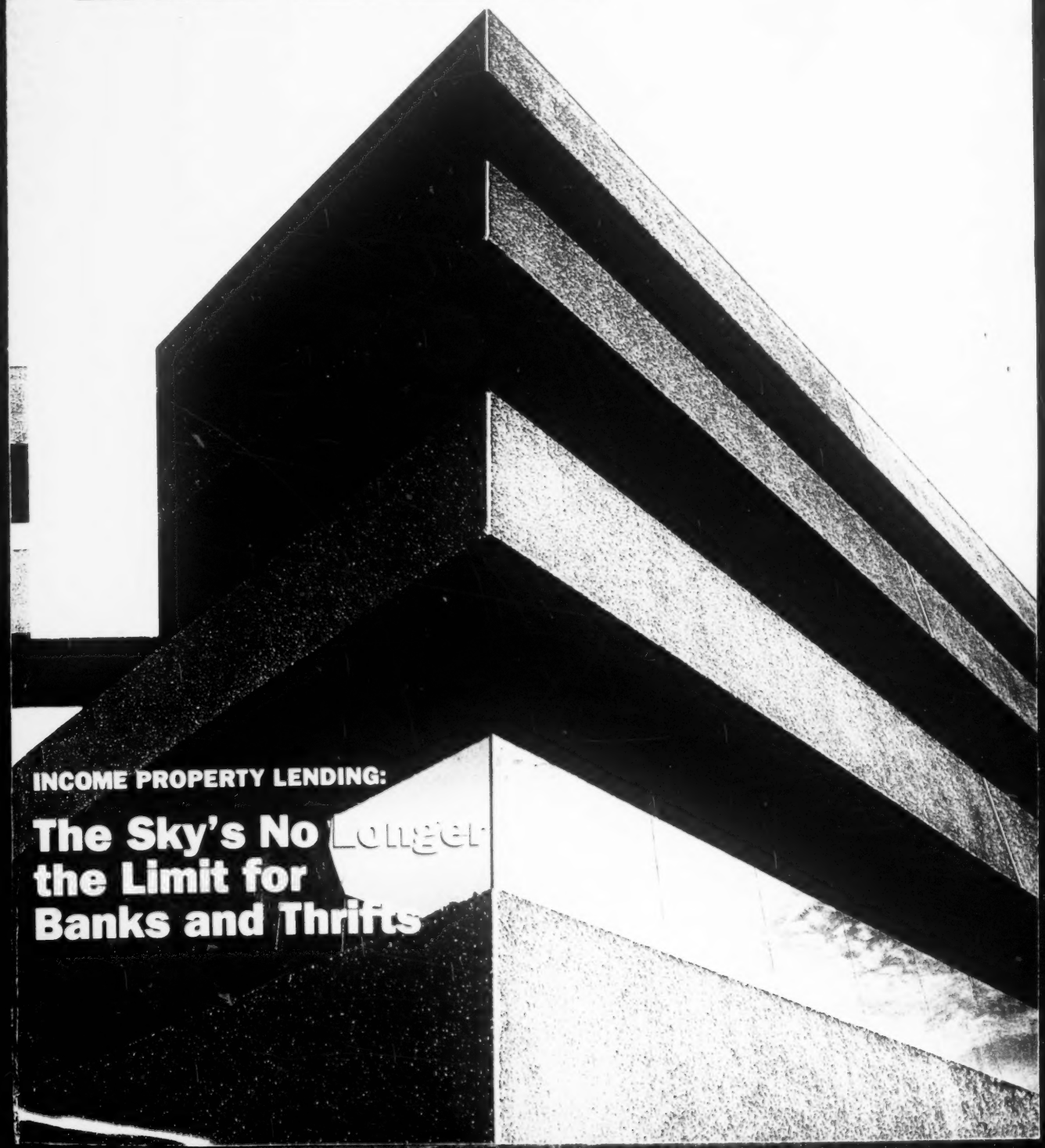
MORTGAGE BANKING

THE MAGAZINE OF REAL ESTATE FINANCE

JULY 1989



INCOME PROPERTY LENDING:

The Sky's No Longer the Limit for Banks and Thrifts

CONTENTS

JULY 1989 VOLUME 49 NUMBER 10

COVER: INCOME PROPERTY

For banks and thrifts, the sky will no longer be the limit when it comes to income property lending. Strict new risk-based capital rules for both banks and thrifts and the thrift bailout legislation will set new limits on the amount of lending that institutions can do for multifamily housing, office building construction or even residential construction projects. As a result, it will be costlier for banks and thrifts to commit to a business plan that is heavily weighted toward income property lending. For thinly capitalized institutions, the sun is indeed setting on the days of income property empire building.

14 Income Property's Brave New World *Tough new risk-based capital rules are being finalized by federal regulators of banks and thrifts. The income property lending market may never be the same.* By MICHAEL L. RYAN

19 The Job Growth Barometer *There is a new group of metro markets emerging as job growth hot spots. Houston and Oklahoma City may have turned the corner, according to this research.* By ROBERT E. HOPKINS

28 Demographics: How to Choose, Use and Not Abuse Them *A basic primer on the facts lenders need to know about people, places and cities and where to find this data.* By CHRIS MORONE

32 Growing the Market for Commercial MBS *The conditions are not yet ripe for the fledgling income property securitization market to come of age.* By JOSEPH FRANZETTI

43 Commercial MBS: The Case for New Legislation *These authors argue that some legal groundwork needs to be laid before the commercial MBS market can reach its potential.* By LOUIS H. NEVINS AND FRANCIS X. SULGER

49 Appraising the Income Property Appraisal *A practitioner walks lenders through some of the finer points of the modern income property appraisal.* By ROBERT F. ROYCE

57 Hotel Trouble *Some S&Ls found out the hard way that hotel and resort lending can be one way to get burned.* By JERRY MORRISON

63 Superfund Suits: Minimizing Exposure *What lenders need to know about toxic waste cleanup liability and some legal safe havens to avoid being hit with cleanup costs.* By L. STEPHEN PASTOR

Essay

71 The Coinsurance Programs *The missteps of some coinsurance lenders do not justify reforms that would kill these programs.* By GAYE G. BEASLEY

DEPARTMENTS

9 BUSINESS ALERT
11 BOARDROOM VIEW
80 PEOPLE
81 THE SECONDARY MARKET
83 ECONOMIC TRENDS
87 INDEX TO ADVERTISERS

PHOTOGRAPHY BY MICHAEL MELFORD/THE IMAGE BANK

PORTFOLIO

Income Property—A Changed Perspective

The sky is not exactly falling on regulated financial instititions. But the perception that deregulation left the lending landscape a little too wide open has prompted a perhaps similarly earthshaking event—an agreement by an international group of financial institution regulators. What's more, these regulators from 12 leading industrialized nations agreed upon something of great market significance that is actually coming to pass in the near future.

The international plan produced last year is widely referred to as the Basle Agreement. It grew out of an attempt to set regulatory capital requirements that account for the varying risks of the broad range of assets that banks and thrifts can now hold. Income property and multifamily housing loans ended up in the 100 percent risk category, along with third-world debt. Home loans and agency MBSs wound up in much less risky categories—thus requiring considerably less capital. It doesn't require much reflection to see that a shift away from commercial property lending by these institutions is likely, in favor of the more favored asset types. Banks and thrifts also are expected to price income property loans higher to make the return worth tying up more of their capital.

The risk-based capital rules by themselves signal a major shakeup in income property finance, which the cover story explores. But there are other international economic factors at work in this marketplace. The changing relative value of the dollar is a force now dictating market demand for income property financing. The industrial Midwest has been rebounding on the coattails of international demand for U.S. goods. That and other factors have caused major job growth centers in the U.S. to shift away from the hot coastal metro markets of the mid-1980s to the heartland cities and places like Houston, according to a Salomon Brothers researcher.

This issue is devoted exclusively to income property finance—long overdue recognition for yet another aspect of mortgage finance in the midst of pivotal change.

Janet Reilley Hewitt
Editor

COMING IN AUGUST

Credibility Problem for Credit Reports

The next issue will carry news sure to be of great interest to low-doc lenders. The basic information that goes into credit reports—one of the few critical documents that low-doc lenders base underwriting judgments on—has some genuine credibility problems, according to a former TRW executive. The August issue also will review the current state of the mortgage insurance industry.

Editor's Note: Some biographical information about an author was inadvertently omitted from a story in the May issue titled "Why Japan Likes U.S. Real Estate." Victor Orth is with Touche Ross & Co. based in Chicago.

MORTGAGE BANKING
THE MAGAZINE OF REAL ESTATE FINANCE

VOLUME 49 NUMBER 10

President
WILLARD GOURLEY, JR., CMB

Executive Vice President
WARREN LASKO

Vice President of Communications
JACQUELINE W. GRUMBACHER

Editor
JANET REILLEY HEWITT

Assistant Editor
LADONNA HALE CURZON

Art Director
SARAH CLARKE HOLLANDER

Art Production
LINDA M. ROLLA

Advertising Sales Managers
CARY SKINNER
TERRI CROVATO

Advertising Assistant
JULIE GUNDERSON

Circulation
BENNIE MURPHY

Published monthly since 1939 by the Mortgage Bankers Association of America

Business and Editorial Offices
1125 15th Street, N.W.
Washington, D.C. 20005
Editorial (202) 861-6562
Advertising (202) 861-6555
Circulation (202) 861-6992

Mortgage Banking® (ISSN 0027-1241)

Published monthly and Copyright ©1989 by the Mortgage Bankers Association of America. Opinions expressed are those of the authors or the persons quoted and not necessarily those of the Association.

Subscription rates: $38 per year, $80 for three years or $20 each for ten or more subscriptions mailed to the same addressee. In Canada, $40 per year; foreign $40 per year. Individual copies, $2.75 each.

Second class postage paid at Washington, D.C. and additional mailing offices. Subscription orders should be sent to MBA, Dept. 0021, Washington, D.C. 20073-0021. Letters, manuscripts, change of address and all other correspondence should be sent to *Mortgage Banking*, 1125 15th Street N.W. Washington, D.C. 20005. Six to eight weeks are required for a change of address. Along with a new address, send last magazine label.

As jobs and employers migrate to new cities, real estate activity registers similar ups and downs.

The Job Growth Barometer—

WHERE THE HOT MARKETS ARE

ILLUSTRATION BY ERIC WESTBROOK

Coastal cities in the Northeast and West are beginning to show marked signs of an economic slowdown that could affect local real estate markets. At the same time, manufacturing and energy belt markets in the central and northwestern United States are showing new signs of growth.

The 1983-87 period could arguably be called a period of the "bicoastal" economy. By constrast, current economic growth patterns would perhaps best be described as a "non-coastal" economy.

These changes are clearly shown by comparing current employment growth in several metropolitan areas with established local trends since the end of the 1982 recession. Cities that recently either started growing faster or slower than in the prior five years are undergoing economic change that could be a sign of different conditions in the real estate markets as well.

Of course, with the national economy growing more slowly in this seventh year of recovery, most cities are growing more slowly. However, the dropoff in growth in certain areas is more substantial than the decline in national growth rates. On the other hand, some cities recently experienced faster growth than they recorded earlier in this decade.

A complete understanding of local, commercial or residential real estate market conditions requires a wide variety of detailed local information. But investors interested in many real estate markets can monitor important changes by tracking overall economic growth in each area. Growth is normally a good measure of real estate demand. Any unanticipated slowing in overall economic growth probably would result in higher real estate vacancy rates and in the residential market. Likewise, an unanticipated surge in economic growth probably would cause tightness in both the commercial and residential markets.

Salomon Brothers tracks total employment growth in 95 large metropolitan areas in the U.S. as part of its overall real estate research effort. We have found that the employment estimates are the most comprehensive, local area economic data that are both readily available and reasonably current. But, in order to use this data, one needs some context for it. Our research found that changes in employment levels in each city compared with that market's own recent performance and the current experience of other cities is a good, simple measure of overall economic trends.

In this article, we analyze growth in non-agricultural employment in 95 metropolitan areas during the past 12 months (February 1988 to February 1989). To assess this recent growth, we compared the near-term growth rates of all the sample cities and we further compared the recent growth rates with each city's post-recession trend. (Charts 1a and 1b present the recent growth rate compared with the February 1984 to February 1988 growth rate.)

Cities recently showing greater growth than their trend for most of

Robert E. Hopkins

CHART 1A

Improving Growth Rate Cities.

Total Nonagricultural Employment Growth Rate, Feb 1984–88 and Feb 1988–89 and Change in Growth Rate

Rank	Metropolitan Area	Average Growth Rate 1984–88	Growth Rate 1988–89	Diff
1	Houston, TX	0.8	3.4	4.1
2	Gary-Hammond, IN	1.0	3.6	1.6
3	New Orleans, LA	0.9	1.1	2.0
4	Oklahoma City, OK	1.0	0.7	1.7
5	Tulsa, OK	0.2	1.4	1.6
6	Akron, OH	2.7	3.8	1.1
7	Baton Rouge, LA	1.6	2.5	0.9
8	Rochester, NY	3.1	3.7	0.6
9	Las Vegas, NV	7.8	8.2	0.4
10	Cleveland, OH	2.2	2.6	0.4
11	Pittsburgh, PA	1.2	1.3	0.1
12	Omaha, NE-IA	3.9	4.0	0.1

CHART 1B

Declining Growth Rate Cities.

Total Nonagricultural Employment Growth Rate, Feb 1984–88 and Feb 1988–89 and Change in Growth Rate

Rank	Metropolitan Area	Average Growth Rate 1984–88	Growth Rate 1988–89	Diff
1	Phoenix, AZ	8.7	0.7	-8.0
2	Riverside-San Bernardino, CA	9.6	2.0	-7.6
3	Orlando, FL	10.3	4.0	-6.3
4	Tucson, AZ	6.7	0.6	-6.2
5	Nashville, TN	6.9	0.8	-6.0
6	Austin, TX	5.9	0.4	-5.5
7	Raleigh-Durham, NC	7.4	2.3	-5.1
8	Columbia, SC	6.0	1.0	-5.0
9	Anaheim-Santa Ana, CA	7.3	2.4	-5.0
10	Greensboro-Winston-Salem-High Point, NC	5.5	0.7	-4.7
11	Norfolk-Virginia Beach-Newport News, VA	5.9	1.2	-4.7
12	Monmouth-Ocean, NJ	7.1	2.6	-4.5
13	Tampa-St Petersburg-Clearwater, FL	7.6	3.3	-4.2
14	Atlanta, GA	7.2	3.1	-4.1
15	Dallas, TX	4.8	0.8	-4.0
16	Oxnard-Ventura, CA	6.7	3.0	-3.7
17	Fort Worth-Arlington, TX	5.2	1.5	-3.6
18	Charlotte-Gastonia-Rock Hill, NC-SC	6.4	2.9	-3.5
19	Greenville-Spartanburg, SC	5.5	2.0	-3.5
20	Jacksonville, FL	7.1	3.9	-3.2
21	Bridgeport-Milford, CT	3.8	0.7	-3.1
22	Fort Lauderdale-Hollywood-Pompano Beach, FL	6.8	3.7	-3.1
23	San Diego, CA	7.8	4.8	-3.0
24	Albuquerque, NM	5.4	2.4	-3.0
25	Nassau-Suffolk, NY	4.5	1.6	-2.9

The industrial Midwest is currently a story of strong revival after a long U.S. manufacturing recession.

this decade have been concentrated in the energy, farm and industrial belts (see Chart 1a). In the past year, Houston has made the greatest improvement on its prior negative employment trend. Although Houston experienced a net loss in jobs between 1984 and 1988, in the past year it regained 47,000 jobs for a growth rate of 3.4 percent. Similarly, Oklahoma City, New Orleans and Tulsa have moved from negative to positive job growth. In the industrial and farm areas, Gary-Hammond, Akron, Rochester, Toledo, Pittsburgh and Cleveland are now growing at rates above their trend prior to 1988.

Cities experiencing a slowing of their sometimes rapid growth rates are concentrated on the East Coast from Massachusetts to Florida and in the non-energy parts of the Southwest and southern California. The southern California area (which we normally think of as extending to Arizona) is falling off the rapid growth patterns it showed during most of the decade. The slowdown in Phoenix and Tucson, which actually started in 1986, was evident in 1987.

More recently, Riverside, San Bernardino and Orange counties have started to slacken their normally rapid rates of growth (see figure 1b). Even Orlando's growth, which was a very strong 4 percent annual rate last year, was half the area's average rate from 1984 to 1988.

Recent growth patterns in these cities tend to reflect overall conditions in the economic region where the city is located. In addition to the patterns illustrated in the charts, a detailed look at recent history for all the large metropolitan areas shows other interesting regional patterns.

In most of southern California (a region we generally define as including Las Vegas and Arizona), a decline from traditional rapid growth is evident. In most cases, the further away from Los Angeles—the core of the region—the more significant the slowdown. The exception is San Diego which is growing close to prior rates. The Los Angeles hub market is still growing close to its past trend—in excess of 95,000 new jobs a year. None of the region's current slowdown applies to Las Vegas either, which has ranked number one in growth rates fairly consistently since early 1987.

The northern California region (which we extend up to Washington state) is growing strongly in comparison to its recent trends. Seattle, in particular, is benefiting from its diversifying economy and the strength of Boeing as an employer. The company has a backlog of orders well into the 1990s. Portland, San Francisco, Oakland and San Jose all suffered significant downturns earlier in the decade. As a result, recent growth shows a significant improvement over the medium-term trend. Portland and San Francisco are still strong, but San Jose is slipping after a very strong 1988. Sacramento remains on a path of rapid growth.

The mineral extraction area that extends from Louisiana to Idaho has clearly been one of the hardest hit economic regions in the country during the past five years. Several cities there have medium-term growth trends that are negative, meaning that employment now is below the 1983 level. The cities that suffered the most decline—Houston, New Orleans, Oklahoma City and Tulsa—have been improving since the end of 1987. All are currently seeing growth rates above their respective negative growth trend lines, though growth is still slow in most of the cities, except Houston. The cities in that area that are less energy dominated, which continued growing into 1986, have fared

less well since then. Austin, Dallas, Fort Worth, San Antonio and Albuquerque are growing below recent trends. Salt Lake City's growth deteriorated through most of 1986 and 1987, but it has revived substantially since early 1988.

There are few cities in the farm belt that are large enough for Salomon Brothers to track closely. Of the four larger cities, three are in relatively good condition, though last year's drought hurt. Omaha, Wichita and Des Moines are improving, while Kansas City had slightly slower growth than normal during 1987 and 1988.

The industrial Midwest is currently a story of strong revival after a long U.S. manufacturing recession. The heavily industrialized cities such as Gary, Allentown, Akron, Cleveland, Pittsburgh and Milwaukee are well above previous growth trends. The revival in these cities did not begin until 1987. The revival in Buffalo and St. Louis has slowed recently. Last year was not a good one for economic growth in Detroit, but 1989 is starting off better. The fate of Detroit is still tied to the automobile industry's competitiveness.

Current economic growth patterns would perhaps best be described as a "non-coastal" economy.

The more diversified cities in the Midwest are generally continuing to perform at rates comparable with the past few years. Chicago, Albany, Cincinnati, Indianapolis and Minneapolis are above trend, while Columbus has fallen slightly behind its prior rapid growth trend. Lake County, a suburb of Chicago, and Allentown, Pennsylvania, an outerlying part of suburban New York, are growing faster than in the past. Lake County is one of the fastest growing metropolitan areas in the country.

Most of the Southeast is a victim of the coastal slowdown. Atlanta's growth fell off in 1987, but growth in the past few months has been notably better. Columbia, South Carolina, Nashville, Raleigh-Durham and Norfolk all have fallen back further than the rest. Even Orlando is growing much more slowly than in the past, though its current growth rate would still be considered rapid by most cities' standards. Southeast Florida is the major exception on the positive side. Fort Lauderdale and West Palm Beach have improved slightly and Miami's growth is well above previous years.

Financial services are no longer spuring the Mid-Atlantic region to the kind of growth rates achieved in the first half of the decade. Finance, insurance and real estate employment is now a drag on New York City growth, rather than a major source of growth. Long Island has also been hurt by the

Some Puzzles Are Easy to Solve.

With Remote Data Processing Services from Computer Dynamics, you can actually maximize both - Time & Money. Call us today for information and a comparative quote that might just solve your data processing puzzle.

Computer Dynamics
3724 Woodland Heights
Little Rock, AR 72212
(501) 223-3200

Participants Trust Company

wishes to thank our Shareholders for their support in the purchase of the business and assets of the Depository Division of the MBS Clearing Corporation.

Shareholders

Bank of America NT&SA
The Bank of New York Company Inc.
Bankers Trust Company
The Chase Manhattan Bank, N.A.
Chemical Bank
Citibank, N.A.
Dean Witter Reynolds Inc.
Drexel Burnham Lambert Incorporated
The First Boston Corporation
Goldman, Sachs & Co.
Kidder, Peabody & Co. Incorporated
Manufacturers Hanover Trust Company
Marine Midland Bank, N.A.
Mellon Bank, N.A.
Merrill Lynch, Pierce, Fenner and Smith Incorporated
Morgan Guaranty Trust Company of New York
Morgan Stanley & Co. Incorporated
PaineWebber Incorporated
Prudential-Bache Securities Inc.
Salomon Brothers Inc
Security Pacific National Trust Company (New York)
Shearson Lehman Government Securities Inc.
Smith Barney, Harris Upham & Co., Incorporated
State Street Boston Corporation
Thomson McKinnon Securities Inc.
United States Trust Company of New York

Participants Trust Company
40 Rector Street
New York, NY 10006
Tel: (212) 513-4910 Fax: (212) 513-4997/8

Participants Trust Company

is pleased to announce its acquisition of the business and assets of the MBS Clearing Corporation's Depository Division on March 31, 1989.

John J. Sceppa
President and CEO

Lawrence J. Gallaway
Chief Administrative Officer

Thomas W. Ashdown
Vice President

Roger DuFault
Vice President

Nickolaos A. Kontoleon
Vice President

Kathryn S. Pruim
Vice President, Corporate Secretary

Nicholas Sziklai
Vice President

Participants Trust Company
40 Rector Street
New York, NY 10006
Tel: (212) 513-4910 Fax: (212) 513-4997/8

defense industry slowdown. Philadelphia, Baltimore and the most rapidly growing suburban New Jersey counties have all slowed their employment growth. However, Wilmington has remained on track and Washington, D.C. continues to add more jobs than most other cities.

Growth rates in New England are modest, but, in most cases, they continue at near recent rates. Despite negative press, Boston's current growth is slow only in comparison with the 1980-84 period. Since 1985, the growth rate in Boston has been very steady. Growth in Worcester is ahead of recent years following a pattern similar to the Midwest. Providence and Hartford are trailing off, however. Since early 1988, growth has been below historical norms in those two areas.

The changes in growth trends in the different regions of the country are partly the result of a number of overall economic factors affecting a broad range of industries. Differences in regional growth have been significant during the past 10 years as the "rolling" recession has swept through various industries and regions. As has always been the case, the economic fate of individual cities and regions is closely tied to the economic fortunes of their major industries or the occupations of their residents. Along some of those lines, the relevant trends we see that are likely to shape regional fortunes are as follows:

- The relative decline in the dollar since 1985 created a surge in manufacturing and domestic distribution-based growth in the industrial Midwest. Employment growth did not become significant until 1987, after interest rates had fallen and new construction in that area began. Now, the Midwest is benefiting from secondary effects of the manufacturing growth. For example, because economic opportunities are much greater in that region and the brain drain of young technical talent has abated, the smaller, Midwestern cities have become more attractive places for research or management activities that earlier would have been located on the coasts. The substantial rise in the dollar this spring is the largest threat to the continuation of the positive job growth trend in the industrial areas. Although we

do not expect the Midwest recovery to be reversed, a continued rise in the value of the dollar could slow it.

- The extremely high housing costs in California, New York and New England are a deterrent to corporations locating in these areas that cannot afford to pay their employees bloated housing expenses. In an era of corporate cost-cutting and restructuring, a wide diversity in house prices or other living expenses among regions will continue to influence the path of business migrations.
- The slowdown in financial services and the restructuring in the banking and thrift industries has had a disproportionate affect on job growth and the economy in the Northeast. Continued announcements of minor layoffs at commercial and investment banks indicate that this trend will not be reversed in the near future.
- Layoffs at defense plants in California, Long Island, Georgia and elsewhere have resulted from the completion of older contracts and a reduced or uncertain supply of new orders. Federal budgetary pressure, reduced "cold war" tension and a greater public willingness to consider defense cuts have resulted in a reduction or a stretching-out of major military procurement programs. Civilian aircraft production, by contrast, is booming—pushing Seattle employment gains into the same league as much larger cities.
- Congestion, unaffordable housing and growth restrictions, in the past, have pushed growth and development into outlying counties around the strongest growth areas. Cities from Providence, Rhode Island to central New Jersey, to Riverside, California, have in a sense, benefitted from the overflow from congested central cities. But, this makes these counties vulnerable to a slowdown because, as growth pressures on the central city are eased, it may not be necessary for outlying areas to absorb this overflow. Nevertheless, some well-established peripheral areas have shown no signs of a drop-off in growth. **MB**

Robert E. Hopkins is vice president of the real estate research department at Salomon Brothers, Inc.

Put your house in order.

Introducing real solutions to REO insurance problems . . .

Frank B. Hall

The Frank B. Hall Mortgage Service Division has tailored a new Real Estate Owned insurance program specifically designed to solve your most difficult commercial and residential placements and problems, including:

- Vacant property coverage
- Capacity limits
- Flood & earthquake protection
- High deductibles
- High premiums

It also offers you these outstanding benefits:

- All risk protection
- Automatic coverage for vacant or occupied properties
- 5 million dollar limits per location
- No co-insurance
- Simple rating
- No application
- Carrier is a A+15 rated company

Competitively low rates: (common 20% savings)

For faster service, call toll free: 1-800-327-9486
In Florida call: (305) 448-2211

Frank B. Hall & Co. of Florida
Joe Vitello, Jr., Vice President
Douglas Center
2600 Douglas Road
Coral Gables, Florida 33134

VITAL STATISTICS

INTEREST RATES & YIELDS
1- TO 4-FAMILY MORTGAGES

	FHA OPINION SURVEY	FHLBB			FNMA		FHLMC	
1989	FHA New Homes[1]	CONVENTIONAL[2] FRM	CONVENTIONAL[2] ARM	Median Cost of Funds FSLIC Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
FEB	10.79%	10.80%	9.07%	7.59%	9.64%	10.65%	8.65%	10.65%
MAR	11.02	10.83	9.24	7.71	10.07	11.09	9.09	11.03
APR	11.02	10.93	9.41	7.84	9.80	10.94	9.40	11.05
MAY	**NA**	**11.14**	**9.75**	**NA**	**9.46**	**10.55**	**9.30**	**10.77**

SELECTED SECURITIES

		PRIME COMMERCIAL PAPER	U.S. GOVERNMENT				
1989	FEDERAL FUNDS RATE	(3-Month)	6-Month	1-Year	3-Year	10-Year	A-Rated Utility
FEB	9.36%	9.37%	8.55%	9.25%	9.32%	9.17%	10.25%
MAR	9.85	9.95	8.85	9.57	9.61	9.36	10.37
APR	9.84	9.81	8.65	9.36	9.40	9.18	10.33
MAY	**9.81**	**9.47**	**8.43**	**8.98**	**8.98**	**8.86**	**10.09**

CURRENT SECONDARY MARKET YIELDS

1989	GNMA[3]	FNMA[3]	FHLMC[3]
FEB	10.37%	10.33%	10.33%
MAR	10.63	10.58	10.57
APR	10.58	10.55	10.54
MAY	**10.29**	**10.31**	**10.30**

SPREADS
(Basis Points)

	GNMA	FNMA	FHLMC
	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.
FEB	120	116	116
MAR	127	122	121
APR	140	137	136
MAY	**143**	**145**	**144**

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage-Backed Securities						Pass-Through Securities	
	Commitments	Purchases	Outstanding	Issued	Commitments To Sell	Commitments To Buy	Mortgages Purchased	PCs Issued	Applications	Issued
JAN 1989	$1,087	$1,037	$180,822	$4,074	$3,492	$5,206	$3,586	$3,408	$4,830	$4,584
FEB	3,557	905	184,209	4,811	6,360	8,411	5,088	4,900	2,000	3,990
MAR	1,771	1,469	188,071	5,473	7,134	11,227	6,373	6,037	5,620	3,902
APR	**1,118**	**1,163**	**191,420**	**4,407**	**5,945**	**4,196**	**5,861**	**5,554**	**3,513**	**3,983**
1988 TOTAL	23,435	23,110	---	54,878	41,271	70,669	44,075	39,777	58,579	56,532
1987 TOTAL	25,415	20,531	---	63,230	68,210	76,615	76,840	75,018	116,611	96,983
4 MONTH AVG. 1989	1,883	1,144	---	4,691	5,733	7,260	5,227	4,975	3,991	4,115
1988	2,787	2,270	---	3,417	2,477	4,869	2,791	2,206	3,406	3,478
1987	1,968	1,469	---	5,669	8,452	10,818	8,771	8,764	12,881	10,574

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
1988	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
JAN 1989	1,678	1,265	413	1,486	1,127	359	293	313	642	430	229	290	563	404
FEB	1,465	1,091	374	1,403	1,077	326	224	273	572	396	204	286	522	391
MAR	1,399	1,037	362	1,230	942	288	153	306	351	389	182	251	446	351
APR	**1,361**	**1,104**	**257**	**1,318**	**1,009**	**309**	**208**	**277**	**529**	**347**	**188**	**258**	**506**	**366**
1988 TOTAL	1,488	1,140	348	1,463	1,083	380	235	274	575	404	234	269	548	413
1987 TOTAL	1,621	1,212	409	1,535	1,114	421	269	298	634	420	272	282	575	406
4 MONTH AVG. (SAAR)														
1989	1,476	1,124	352	1,385	1,039	346	220	292	524	391	228	271	509	394
1988	1,504	1,153	351	1,401	1,053	348	292	273	556	383	273	260	503	365
1987	1,743	1,310	433	1,665	1,217	448	298	359	634	452	302	337	594	433

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
1988	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate
JAN 1989	3,550	2,400	8.1	700	369	6.4
FEB	3,480	2,450	8.5	624	374	7.6
MAR	3,400	2,470	8.7	559	374	8.0
APR	**3,360**	**2,640**	**9.4**	**620**	**373**	**7.5**
1988 TOTAL	3,594	---	---	676	---	---
1987 TOTAL	3,526	---	---	671	---	---
4 MONTH AVG. (SAAR)						
1989	3,448	---	---	626	---	---
1988	3,318	---	---	643	---	---
1987	3,603	---	---	726	---	---

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1982 Dollars, Seasonally Adjusted Annual Rates)

	Total[5]	1-Unit	2+ Units	Nonresidential
	$290.0	$108.1	$19.6	$81.6
	287.2	107.2	20.3	80.9
	291.8	105.1	20.9	84.5
	288.4	**102.6**	**21.6**	**80.4**
	281.8	103.5	19.3	77.9
	283.0	100.7	22.4	78.2
	289.4	105.8	20.6	81.9
	278.7	103.0	19.6	77.4
	281.7	99.2	24.3	75.9

85

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Dollars in Millions)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
1988	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies
NOV	$28,138	$5,430	$14,704	$7,314	$352	$3,406	$600	$1,605	$659	$271	$11,252	$23	$1,496	$6,546	$3,090
DEC	32,145	6,459	16,502	8,356	455	4,686	404	2,450	874	628	20,455	224	2,389	11,859	5,879
1989															
JAN	25,794	5,286	12,352	7,754	72	2,956	561	1,433	396	329	10,533	121	1,604	7,598	1,146
1989															
FEB	**22,877**	**4,494**	**10,851**	**7,125**	**112**	**2,998**	**131**	**1,366**	**880**	**401**	**9,540**	**38**	**1,343**	**6,986**	**1,071**
1988															
TOTAL	374,401	85,307	186,237	95,474	3,190	37,876	4,526	20,379	6,988	3,553	175,754	1,032	22,953	119,942	29,714
1987															
TOTAL	449,544	110,093	208,054	124,551	3,209	44,981	2,409	22,492	8,299	3,547	168,652	2,871	25,613	110,490	28,160
2 MONTH AVG.															
1989	24,336	4,890	11,602	7,440	92	2,977	346	1,400	638	365	10,037	80	1,474	7,292	1,109
1988	21,192	5,591	9,734	5,515	47	2,223	273	1,286	361	153	13,388	39	1,674	10,128	1,422
1987	33,249	9,402	13,101	10,282	218	3,751	376	1,545	685	134	9,993	356	1,583	6,699	1,265

MORTGAGE INSURANCE
(Units in Thousands, Dollars in Millions)

	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	TOTAL	FHA[8]	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
1989												
JAN	107	60	16	31	121	$8,656	76	$4,629	17	$1,240	28	$2,787
FEB	114	68	15	31	93	6,817	56	3,509	16	1,223	21	2,085
MAR	147	86	16	45	95	7,142	51	3,189	18	1,364	26	2,589
APR	**135**	**76**	**15**	**44**	**91**	**6,974**	**49**	**3,064**	**15**	**1,127**	**27**	**2,783**
1988 TOTAL	1,755	949	211	595	1,334	98,012	699	42,577	211	15,771	424	39,664
1987 TOTAL	2,340	1,211	408	721	2,282	159,668	1,320	81,881	451	33,312	511	44,475
4 MONTH AVG.												
1989	126	73	16	38	101	7,398	58	3,598	17	1,239	26	2,561
1988	147	86	15	46	102	7,279	55	3,310	18	1,266	29	2,703
1987	261	157	43	61	205	14,163	120	7,433	46	3,352	39	3,378

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Effective rate on loans closed.

[3]Securities for 0 to 30 day delivery.

[4]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

[5]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, Federal credit agencies, mortgage pools, and state and local investment agencies.

[7]Savings & Loans and Mutual Savings Banks.

[8]FHA applications received includes the Direct Endorsement Program.